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TODAY

PEOPLE

• Richard H. Bragdon, a senior account director with S&O Consultants Inc. in San Francisco, is a master of the name game.

• Marvin Duncan says he likes challenges, a personality trait that he will need in his new position as senior deputy governor at the Farm Credit Administration.

• Ralph Casazzone credits stiff competition with spurring him to a second consecutive win in the "World Cup Championship of Futures Trading."

• "If you give your job all you've got, you're bound to get better at it," says Maria Fiorini Ramirez, the modest winner of the annual merit award of the Women's Bond Club of New York.

• Chemical Bank's chief economist, Frederick Deming, ponders the role of his profession... 6

EFHutton

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Bell Report Sparks Departure of 3 Hutton Executives

By BARTLETT NAYLOR and ANDREW ALBERT

The E.F. Hutton Group Inc. on Thursday announced the departures of three top executives and disciplinary actions against several employees in response to an internal investigation of the broker's highly publicized check-kiting scheme.

The move came after former U.S. Attorney General Griffin B. Bell, who conducted the four-month investigation, said he found no criminal wrongdoing on the part of company chairman and chief executive Robert Fomon or any other top officials at the nation's fifth largest securities firm.

THOMAS P. LYNCH

The highest-ranking executive hit by the firm's disciplinary actions was Thomas P. Lynch, who agreed to give up his titles and responsibilities as vice chairman and chief financial officer of the E.F. Hutton Group. He will com-

E.F. Hutton: Page 10

Was Guilty Plea Unnecessary Evil?

In Wake of Bell Report's Findings, E.F. Hutton's Answer May Be 'Yes'

By TOM FERRIS

NEW YORK — Should E.F. Hutton & Co. have pleaded innocent to government charges of check-kiting and taken its chances in court?

That's a question that E.F. Hutton chairman Robert Fomon must have asked himself over and over again this summer. When his brokerage house pleaded guilty to 2,000 counts of fraud on May 2, Mr. Fomon no doubt thought the event would fade from the headlines within a few days. Rather than test the legality of the company's dubious cash management practices in litigation that could drag on for months or even years, the firm probably decided to take its lumps all at once.

News Analysis

But, as must be evident to even the most casual newspaper reader, that is not the way it has worked out. The scandal has not gone away. For more than four months, the brokerage firm has been pestered with questions about top management's involvement in the scheme, and has found itself in the middle of a battle between a House committee and the Justice Department over the way the agency prosecuted the case.

At a press conference in Washington Thursday announcing the findings of his investigation into the matter, former U.S. Attorney General Griffin Bell gave E.F. Hutton officials further cause

Analysis: Page 9

Thrifts Continue to Leave Fold of Private Insurers

Most Applicants from North Carolina Gain Federal Coverage

By MARK BASCH

NEW YORK — Private deposit insurance in North Carolina will likely be a memory by October, according to the head of the state's savings and loan division, and efforts to eliminate private insurance continue in four other states.

Thrifts

"We still have four S&Ls and five or six credit unions that didn't get final approval [for federal insurance]," said George King, administrator of North Carolina's savings and loan division. "We fully expect all of them to qualify."

Earlier this year, in the aftermath of the Ohio thrift crisis, the 56 savings and loans and credit unions insured by the Ohio Financial Institutions Assurance Corp., or FIAC, applied for federal deposit insurance. The decision followed a consumer survey commissioned by the private insurance group, according to Donald R. Deason, president of the insurance fund.

"It showed that public confidence in a federal insurer was higher than in other insurers," Mr. Deason said at the time.

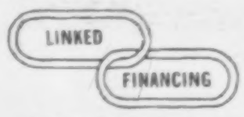
Of 27 savings and loans that have applied for federal insurance, 23 have received final approval and one has re-

Thrifts: Page 15

FDIC Expands NY Money Broker Suit

By RICHARD RINGER

CHICAGO — The Federal Deposit Insurance Corp. has expanded its racketeering lawsuit against a Long Island money brokerage firm, accusing the firm of involvement in another linked financing deal that caused a second bank failure.



The suit, amended Wednesday, now accuses First United Fund Ltd. of Garden City, N.Y., of participating in linked financing that led to the failure of Rexford State Bank in Rexford, Kan. Several other parties, including Joseph J. DeCarlo Sr., a senior executive vice president at First United Fund, also are named in the complaint.

In the original suit last April, the FDIC sued First United Fund, its president, Mario Renda, and 11 other parties for their alleged role in a linked financing deal that caused Indian Springs State Bank in Kansas City, Kan., to fail. The $27 million-asset Indian Springs was closed Jan. 27, 1984. Rexford State, with assets of about $5 million, was declared insolvent almost nine months later, on Oct. 10.

The Indian Springs suit, filed in U.S. District Court in Kansas City, Kan., included the agency's first allegation of a civil violation of the Racketeer-Influenced and Corrupt Organizations Act.

"The reason we amended the Indian Springs State Bank RICO complaint to include the Rexford failure is because of the extraordinary similarities in the scheme at both failed banks," said Michael Manning, an Overland Park, Kan., attorney representing the FDIC in the case.

Also on Wednesday, the FDIC added two more defendants to the Indian Springs action: Sammy G. Daily, a Ha-

Money Broker: Page 14

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IN THE NEWS

Bevill Test Cases Slated

NEW YORK — A federal judge next month will select several test cases to begin sorting out the complicated finances of the failed Bevill, Bresler & Schulman Asset Management Corp. U.S. District Judge Dickinson R. Debevoise said that on Oct. 15 he will pick from among the 80 creditors who have filed claims against Bevill, Bresler, based in Livingston, N.J. It is hoped that resolution of several representative test cases will pave the way for settlement of most claims.

Flat Interest Rates Seen

NEW YORK — Corporate treasury managers are now borrowing based on the prediction of a 9.7% prime interest rate by the end of the year, according to a survey by Manufacturers Hanover Trust Co. "There's an overwhelming sentiment that interest rates will not move much either up or down," a bank official said.

Great Western Realty Buy

BEVERLY HILLS, Calif. — Great Western Financial Corp. announced that its subsidiary, Great Western Real Estate Inc., has acquired Sacramento-based Western National Realtors Inc. Western National operates seven offices with about 360 agents. Transaction terms were not disclosed.

Marine Has Consumer Push

BUFFALO — Marine Midland Bank says it is launching a major business generation program to increase its share of the upstate consumer banking market. The effort reflects "Marine's strategic emphasis on domestic business in general and retail banking in particular," said a spokesman.

Tennessee Failure Is No. 77

WASHINGTON — The Federal Deposit Insurance Corp. said deposit liabilities of The Bank of Loretto in Loretto, Tenn., have been assumed by First Farmers and Merchants National Bank of Columbia, Tenn. The $24 million-deposit bank, closed by the state on Wednesday because of heavy loan losses, is the 77th FDIC-insured bank to fail this year and the fourth in Tennessee. It was also the 43rd farm bank closing this year, the FDIC said.

Biscayne Export Coverage

MIAMI — Export insurance provided by the Export-Import Bank of the U.S. will be offered through a program being introduced by Biscayne Bank. The new program makes it possible for exporters in the South Florida market to once again obtain financing for export sales, Biscayne said. The umbrella policy insures short-term export sales of U.S.-produced goods and services against loss due to political and commercial risk. The exports that the program will insure include consumables, agricultural commodities, raw materials, consumer durables, spare parts, and certain services.

— Compiled by Gordon F. Light

Farm Credit Chief Says System Faces Breakup In 2 Years Without Contingency Bailout Plans

Washington Bureau

WASHINGTON — The Federal Farm Credit System could face piece-by-piece dismantling within 18 months to two years unless contingency plans for a federal bailout are in place by then, Farm Credit Administration governor Donald E. Wilkinson said Thursday.

Agricultural Lending

Speaking at a packed press conference at the agency's offices in McLean, Va., Mr. Wilkinson said that the entire agricultural community faces "the most severe crisis since the Depression."

The federally chartered, privately owned credit system no longer has sufficient resources to take care of its own problems unless "major forces" improve the economy of the agricultural sector, he said.

At the same time, Mr. Wilkinson said the system currently is solvent and can meet obligations to holders of the approximately $74 billion of bonds supported by its portfolio of farm loans.

Mr. Wilkinson declined to put a dollar figure on the size of an aid package, except to acknowledge that it would be "a multibillion-dollar" deal. However, Rep. Cooper Evans, R-Iowa, a member of the congressional rural caucus, has estimated that the system will require somewhere between $10 billion and $20 billion.

Several approaches are being considered to provide assistance, Mr. Wilkinson said. They include: creation of a new government-guaranteed security backed by farm loans; establishment of an organization to acquire nonperforming loans; a direct infusion of cash; or a buydown of interest rates to farmers.

The Farm Credit System has been informed by Agriculture Secretary John Block that it must marshal and exhaust all of its own resources before approaching Congress for a bailout, Mr. Wilkinson said.

The FCA, which regulates the system, has taken steps in this direction by adopting new rules that will allow it to compel healthy member institutions to share the losses of ailing banks. Mr. Wilkinson said the only intra-system assistance package now under way is a

➡ Farm: Page 7

Three NY Savings Banks Are About to Lose Their Liferaft

Without New Law, Program Keeping Them Afloat Will Expire Next Month

By MARK BASCH

NEW YORK — Three of New York City's large state-chartered savings banks are still depending on net worth certificates from the Federal Deposit Insurance Corp. to keep afloat, as the deadline for the end of the net worth certificate program approaches next month.

Thrifts

The three — the Bowery Savings Bank, the Emigrant Savings Bank, and the Williamsburgh Savings Bank — would all have negative net worths and be theoretically insolvent if not for the certificates.

According to call report data released by the New York State Banking Department, the $5.4 billion-asset Bowery would have a negative net worth of $145.3 million, if not for $201.3 million in net worth certificates.

Emigrant, with $3.2 billion in assets, has a negative net worth of $60.7 million, but has net worth certificates totaling $90 million. The $2.4 billion-asset Williamsburgh has a negative net worth of $35.6 million, and certificates totaling $61.1 million.

Under the Net Worth Certificate Act, eligible mutual savings banks can issue net worth certificates that are then purchased by the FDIC or the Federal Savings and Loan Insurance Corp., which in turn issue promissory notes to the assisted institution.

The act is scheduled to expire Oct. 15, unless Congress passes an extension. As the legislators return from their summer recess, it is unclear what they will do with the net worth assistance program.

While the Bowery and Williamsburgh continued to lose money in the second quarter, Emigrant returned to profitability. Emigrant had net income of $3.2 million, after posting a $5.9 million loss in the first quarter.

For state-chartered thrifts in New York other than the Bowery and Williamsburgh, the second quarter was a good one. For the first time since the Banking Department began releasing quarterly data four years ago, the 71 state-chartered thrifts had aggregate income instead of a loss. Net operating income was $53.1 million at the 71 institutions, compared with a loss of $1.7 million in the first quarter, and a loss of $22.8 million in the year-earlier quarter.

However, the Bowery continued to lose money, posting a net loss of $10.4 million in the second quarter, after a $14.2 million loss in the first quarter. Its total of net worth certificates increased $29.7 million during the second quarter.

Richard Ravitch, a former New York City official, has apparently reached an

➡ Net Worth: Page 7

Profits Reappear at New York Savings Banks

Figures in thousands, as of 6/30/85

	Assets	2d Q profit/ loss	Net Worth	Net worth certif.	Regulatory Net worth as % of assets
Bowery Savings Bank	$5,319,512	-$10,423	$55,969	$201,300	1.1%
Dollar-Dry Dock Savings Bank	4,915,433	3,369	140,879	66,321	3.0%
Emigrant Savings Bank	3,248,076	3,209	29,366	90,037	1.2%
Manhattan Savings Bank	2,863,193	7,283	188,298	0	6.6%
Greater New York Savings Bank	2,501,072	4,352	45,482	23,054	1.8%
Green Point Savings Bank	2,438,458	10,935	160,922	0	6.6%
Williamsburgh Savings Bank	2,399,318	-2,513	25,539	61,148	1.1%
East River Savings Bank	2,041,060	2,710	48,150	26,430	2.5%

Data obtained from New York State Banking Departmentk

Ticor Stops Writing Mortgage Insurance, Chief Resigns

By DAVID LaGESSE

NEW YORK — Apparently unconvinced any rescue plan can quickly save the Epic group of companies, Ticor Mortgage Insurance Corp. on Thursday announced that it would cease writing mortgage insurance policies as of Sept. 10.

The company also announced that Ticor chairman Raymond A. Rodeno has resigned and will be replaced by William J. Fitzpatrick, formerly executive vice president and secretary to Ticor's board.

Ticor said it announced its decision after consultations with the California Insurance Department, the primary regulator for Ticor, based in Los Angeles. The department already had requested that Ticor reorganize its structure to isolate the mortgage insurance business from its other lines of service, including title insurance.

The company said it will continue to honor outstanding commitments to insure loans and will renew its existing policies, but that "it now appears that it may be quite some time before the consequences of the reported Epic default can be quantified and its impact on Ticor Mortgage can be ascertained."

Ticor has reported that it could lose a maximum of $166 million on coverage that it wrote for mortgages sold by Epic Mortgage Inc., an affiliate of Equity Programs Investment Corp. Equity Programs, based in Falls Church, Va., acted as general partner for limited partnerships that borrowed some $1.4 billion from Epic Mortgage.

At a seminar Thursday on Epic's problems in Washington, representatives of Moody's Investors Service said there are growing questions that the appraisals that stood behind Epic's deals may be faulty.

Moody's analyst Michael Molesky said the bond-rating agency, which already placed in question its rating of Ticor's insurance, has indications that at least one major source of Epic appraisals may have been an affiliate of the Epic — instead of the independent appraisals that mortgage insurers require.

Moody's officials also say that Epic often borrowed from one partnership to help other partnerships with cash-flow problems, adding to the complexity of judging the company's assets and the potential exposure of the insurers.

Epic has been delinquent on August payments that were due to institutional investors that had bought its mortgages, and has said it is suffering con-

➡ Net Worth: Page 14

SEC Charges Firm, 3 Men in NY Scam

Special to the American Banker

NEW YORK — An investment consulting firm, two of its principals, and the former credit manager of a brokerage house here have been charged with violating securities laws.

The Securities and Exchange Commission filed a civil complaint in Manhattan federal court accusing the defendants of conspiring to purchase and sell $19.8 million in securities without paying for them.

The transactions cost six brokerage houses nearly $400,000 in losses, according to the charges.

Named as defendants were: ITC Inc.; its two principals, Benjamin Chamis and Robert Malfi; and Michel Erlichson, former credit manager with Nomura Securities International Inc.

The complaint alleges that from April 1983 through February 1984 the defendants conspired to purchase and sell the securities "without paying for or intending to pay for" them.

The complaint also alleges that Mr. Erlichson arranged for the purchases and sales knowing that they were not paid for, resulting in the losses to the brokerage houses.

The brokerage houses that lost money were E.F. Hutton & Co.; Bear Stearns & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc.; Donaldson, Lufkin & Jenrette Securities Corp.; L.F. Rothschild, Unterberg, Towbin; and Nomura.

The SEC accuses ITC, Mr. Chamis, and Mr. Malfi of issuing nine checks to Nomura, totaling almost $8.6 million, that were returned due to insufficient funds.

In a related action, the commission simultaneously instituted and settled administrative proceedings against Nomura.

Without admitting or denying the violations, Nomura consented to a censure and a finding that it had violated SEC regulations in the case. ■

Options . . .

Continued from Page 2

don, Amsterdam, and New York to conduct a virtually round-the-clock futures and options market.

A word of warning was sounded, however, by Walter Auch, chairman of the Chicago Board Options Exchange, who said much work needs to be done to educate investors — and, indeed, officials of many banks — about the attractions of the options market.

Mr. Auch said his exchange runs a full-time training school to do just that. "We think that the options business can boom if it is developed," he said. "But we think that only 10% of the American investing public is dealing in options — there's a vast untapped market out there which we need to contact."

Mr. Auch said he was also convinced that not enough was being done in the field of financial futures.

Mr. Brodsky, spelling out the progress his exchange has made in the past year, said Eurodollar options were the most successful — the Chicago Board of Trade's Eurodollar options are now the third most active options in the United States, he said.

Mr. Brody of New York's Comex also said he felt there was an ongoing market for exchange-traded options, which he said are now running at about one and a half million contracts a year, "despite periodic regulatory interference."

Joseph Stefanelli, vice president of options at the American Stock Exchange, said he thought "our place in the market has been proved." Options, he said, offer the individual investor a chance to get back into a marketplace from which he has found himself increasingly squeezed in the past few years by institutional investors.

Arnold Staloff, president of the Philadelphia Board of Trade, said options business there was up 300% over the last year. ■

Farm . . .

Continued from Page 3

$300 million to $400 million transfer to the Omaha district, and that is being undertaken voluntarily by the members.

The 37 banks that compose the system are jointly and severally liable for all borrowing done by member institutions.

FCA deputy governor Larry Edwards said the Farm Credit System still has $9.2 billion in reserves, half of which consists of members' capital stock, and another $500 million in reserves among member banks.

Initial reaction by banking sources to the announced intentions of the Farm Credit Administration was cautious.

Any government assistance plan to bail out the troubled Farm Credit System must be broad enough to also aid the ailing commercial banking sector, which provides shorter-term agricultural credit, an Independent Bankers Association of America spokesman said.

More than half of this year's 77 failed banks so far have been agricultural banks. In addition, more than 400 agricultural banks are on the Federal Deposit Insurance Corp.'s problem bank list of more than 1,000 troubled institutions, and the proportion is rising.

▶ Farm: Page 9

Net Worth . . .

Continued from Page 3

agreement with the FDIC to rescue the Bowery with about $100 million of new capital. Mr. Ravitch has been trying to line up an investor group to assist him in the deal.

Williamsburgh had a net loss of $2.5 million in the second quarter, after a loss of $7.4 million in the first quarter. Its net worth certificates increased by $12.9 million.

Although Emigrant was profitable, it still added $11.9 million in certificates to its net worth.

Two other New York savings banks with more than $2 billion in assets and low net worths also had increases in net worth certificates. Dollar-Dry Dock Savings Bank had $5.9 million in new certificates, while the East River Savings Bank added $3.4 million.

Last week, depositors of East River approved the thrift's conversion to a stock form of ownership and approved the sale of all the stock and capital notes of the bank to Alvin Dworman and Great Universal Capital Corp. for $43 million.

Another large New York thrift with net worth certificates, the Greater New York Savings Bank, did not add any certificates last quarter. ■

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